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Commonwealth of Massachusetts **Department of Revenue**

Commissioners Office

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Upholding the Public Trust

FY94 Integrity Initiatives at the Massachusetts Department of Revenue

Mitchell Adams
Commissioner

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Executive Summary

Is your personal financial information safe?

Throughout the United States today, huge databases are filled with all sorts of confidential information that is available at the touch of a button. Credit ratings, loan information, tax return and child support data. At the Massachusetts Department of Revenue (DOR), we believe that access to such information is a sacred public trust and we work constantly to protect the information we collect.

DOR has created continuous employee training, automated computer programs and beefed up internal quality controls to prevent unwarranted access to or dissemination of fiscal records. Your financial information is safe because at DOR we hold integrity -- of both our employees and the agency itself-- as a top priority.

During Fiscal Year 1994 (FY94), DOR completed several projects to improve the Department's internal security systems and methods of ensuring taxpayer confidentiality. Specifically:

- DOR's practice of conducting rigorous tax, criminal record and background screenings on all newly hired personnel resulted in 25 job candidates being refused employment because they had failed to file or pay certain taxes. Five other candidates were not hired due to unreported criminal records that rendered them unsuitable for DOR employment.

- Revenue Commissioner Mitchell Adams mandated creation of a new employee training course focusing on confidentiality matters and accomplished 100 percent employee participation in this course and a "refresher" on the conflict of interest laws and the agency's code of conduct. The Department is now committed to a regular cycle of integrity awareness training and refresher classes for all 2,600 DOR employees every year.

- The agency's Internal Audit staff, which is responsible for overseeing the integrity of DOR's financial control systems, was increased by more than 25% to keep pace with investments in high technology that provide greater employee access to sensitive financial information.

- The Department's Information Systems Organization (ISO) developed and implemented an agency-wide monitoring process to detect any unauthorized attempts by DOR employees to access taxpayers' financial or child support data, as well as protect DOR personnel from false charges of "browsing" or intimidation. A total of 18 tax-related and 6 child support "look-ups" were flagged by the computer as questionable, resulting in disciplinary action against 13 employees for tax look-ups and 4 employees for child support look-ups. These actions included the termination of one employee who had accessed tax information without cause or authorization. The remaining seven look-ups were determined to be legitimate.

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Introduction

Is your personal financial information safe?

Throughout the United States today, huge databases are filled with all sorts of confidential information that is available at the touch of a button. Credit ratings, loan information, tax return and child support data. At the Massachusetts Department of Revenue (DOR), we believe that access to such information is a sacred public trust and we must work constantly to protect the information we collect. We have created continuous employee training, automated computer programs and beefed up internal quality controls to prevent unwarranted access to or dissemination of fiscal records. At DOR your financial information is safe because we hold integrity -- of both our employees and the agency itself-- as a top priority.

During Fiscal Year 1994 (FY94), DOR completed several projects to improve the Department's internal security systems and methods of ensuring taxpayer confidentiality. This report contains a description of these integrity initiatives and an evaluation of the Department's "job performance" in the areas of employee and departmental integrity.

Employee Screenings

Tax and CORI Screenings

When DOR initiated mandatory tax and criminal records screening back in 1983, the results were surprising and serious: 10 employees were terminated, suspended or otherwise disciplined when the screening showed they had failed to file or pay their taxes. Three employees were fired or disciplined for falsifying their employment applications to omit criminal records.

Today, all DOR employees are required to sign affidavits stating that they have filed and paid their taxes, and all employees' records are checked annually to make sure they have done so. In addition, the Office of Internal Affairs, designated as a criminal justice agency by the Criminal History Systems Board, has access to Criminal Offender Record Information (CORI). Internal Affairs uses the CORI information to screen applicants and periodically review the status of current DOR personnel. For the most senior positions and other sensitive jobs within the Department, Internal Affairs also conducts extensive, in-depth background checks on both internal and external job candidates.

Fiscal 1994 Screening Results

In FY94, a total of 617 tax and CORI checks were done for potential DOR employees. A total of 25 of the screenings resulted in candidates not being hired because of failure to file or pay certain taxes, and five other job applicants were not hired because the CORI probe indicated that the applicant had a criminal record that rendered the individual unsuitable for DOR employment.

There were 26 extended background checks conducted for senior and highly sensitive positions within DOR in FY94. None of the checks uncovered information that would be cause for denial of an appointment or promotion to such a post.

Participation in Internal Integrity Initiatives

DOR's Code of Conduct

DOR's code of conduct is intended to guide employees in matters of professional and ethical obligation. It places restrictions beyond those set down in the state conflict of interest law (M.G.L. c. 268A), and limits DOR employees' ability to engage in certain kinds of outside employment -- especially in the fields of accounting, law and assessing. Under the code, DOR employees are also barred from preparing tax returns for others, and are required to report any taxpayer or employee misconduct to the agency's Office of Internal Affairs. To protect against even the appearance of undue political influence, DOR employees must also route all contacts from public officials concerning tax and child support cases to the appropriate Problem Resolution Office.

Integrity Training

In order for DOR's workforce to understand and live within both the spirit and the letter of the ethics laws and the Department's own code of conduct, the Office of Internal Affairs has spent thousands of hours conducting training for all DOR employees. The training must encompass both sides of the integrity coin -- personal integrity in the form of adherence to the established laws and codes, and institutional integrity through an emphasis on each employee's responsibility to protect the sensitive data stored at DOR and to understand what constitutes appropriate business uses of such information.

Covered under "integrity awareness" are such topics as the history behind the creation of the Offices of Internal Affairs and Internal Audit, the roles and procedures of these offices, the importance of honesty in revenue administration, and methods for recognizing bribery attempts. The conflict of interest portion of the training includes a general overview of the Massachusetts conflict law and a "quiz" highlighting sections of the law that apply to state employees. The code of conduct training tests employees' knowledge and understanding of the DOR code. All employees are required to read the code of conduct before coming to work for DOR.

FY94 Training Accomplishments

During his term, Commissioner Adams has moved DOR's integrity training efforts beyond the Code of Conduct to include a special emphasis on personal and institutional integrity. In FY94, the integrity awareness program saw the addition of a course specifically dealing with confidentiality requirements at the Department of Revenue. DOR has achieved 100 percent participation in the integrity awareness training during the Commissioner's tenure, and the Department is now conducting "refresher courses" to keep the issue current for all employees.

Commissioner Adams placed DOR's training in integrity awareness as a special priority for the Department in FY94. The Commissioner's belief and expectation is that DOR employees should be held to the highest possible professional standards, and particularly wished to focus on employees' responsibility to respect and uphold the confidentiality of taxpayer and child support information. Every employee in the Department got that message directly from the top -- In FY94 every new hire and every current DOR employee received the integrity awareness/confidentiality training, either for the first time or in the form of a "refresher course" -- and the Commissioner personally introduced every session held in Boston as well as most of the sessions conducted in the agency's district and regional offices throughout Massachusetts.

During FY94, Internal Affairs also completed its integrity awareness training for all DOR employees located in the agency's multi-state offices in Atlanta, Chicago, Houston, Los Angeles, New York, New Jersey and Pennsylvania. A total of 72 employees work in these offices.

Internal Audit and Internal Affairs

Workforce and Work Product Standards

The Offices of Internal Affairs and Internal Audit are two separate, but integrally related, contributors to the integrity efforts at DOR. Just as the training program concentrates on both personal and institutional integrity, the Office of Internal Affairs investigates allegations of employee and taxpayer misconduct, while the Office of Internal Audit monitors the agency's internal management systems and controls. While Internal Affairs keeps a watchful eye on DOR's staff, Internal Audit stands guard over the Department's work processes and work product. The goals of both offices are not only to expose and eliminate wrongdoing, but also to protect the vast majority of DOR's workers, who serve the Commonwealth and the taxpayers with tremendous loyalty.

FY94 Accomplishments

In FY94, the Office of Internal Audit staff was increased by more than 25%, bringing the total number of workers in internal audit to 22. Internal Audit is designed to ensure the integrity of DOR's internal checks and balances. The additional employees, who are certified public accountants, financial analysts, and information systems auditors, were hired to ensure that DOR's operation is secure, effective and as economical as possible. The beefed-up Internal Audit presence will provide valuable information on how well things are working at DOR -- and what we can do to improve the agency.

Also during FY94, the Offices of Internal Audit and Internal Affairs combined forces to create an "integrity team" -- consisting of an experienced investigator and an experienced auditor -- to handle both internal and external allegations of wrongdoing within the Department. These individuals, who have received special training in investigative techniques, work together doing what is known as "forensic accounting" and provide an independent and objective probe into the allegations. The integrity team reports directly to the Senior Deputy Commissioner so that no Departmental pressure comes to bear on their investigations.

In its first year of operation, the integrity team completed three investigations concerning allegations of employee misconduct or inadequate procedural safeguards, and launched investigations in four other cases. Of the completed cases, two of the matters were found to be based on unfounded or undocumented allegations, and the third case resulted in additional managerial oversight and the creation of written procedures to improve work standards in the affected area.

Employee Access to Confidential Information

Better Technology: Resisting Temptation

As DOR's investments in information technology expanded the Department's capabilities to access greater quantities of information, steps also became necessary to ensure that DOR's employees were not engaging in unauthorized "browsing" of taxpayer and child support accounts, or taking inappropriate advantage of their access to confidential information.

Commissioner Adams made this an extremely high priority, and charged DOR's Information Services Organization (ISO) with creating computer software applications that would monitor or prevent such unauthorized searching of DOR's records.

FY94 Accomplishments

In FY94, the Department established several computerized security measures to further protect the confidentiality rights of Massachusetts taxpayers and child support participants, as well as to protect DOR personnel from false charges of "browsing" or intimidation. During the fiscal year, ISO created and installed databases that allow the Department to monitor employees' computer activity and flag any questionable "look ups" -- any accessing of information that might not be for official DOR business -- for further review. Non-official look-ups can range from accessing one's own tax return information to examining the files of celebrities, friends or others.

A regularly issued report of questionable employee look-ups is generated by ISO and sent to DOR's Human Resources Bureau for review and possible disciplinary action.

In FY94, a total of 18 tax-related and 6 child support look-ups were flagged to ISO as questionable. Upon review, 12 of the tax-related look-ups resulted in disciplinary action against Tax Administration employees, 5 were determined to be legitimate and no discipline was necessary, and one look-up resulted in termination of the employee who had accessed the information without cause or authorization. Of the 6 child support lookups that were flagged for review, 4 resulted in disciplinary action, and 2 were determined to be legitimate.

Looking Back... And Forward

During FY94, DOR made significant strides in improving the safeguards we provide to all taxpayers to ensure that their rights are protected. The agency has also striven to continually improve the level of assurance we can provide to our "customers," the taxpayers of the Commonwealth, that their tax dollars are being collected properly and that the confidentiality of their financial records is being adequately protected.

The great majority of DOR's employees are highly qualified, hard-working, honest people. But the people who are given one of our most sacred public trusts -- handling vast sums of the taxpayers' money and personal financial information -- must be held to the highest possible professional standards. We must be vigilant in our attention to this area of DOR's "job performance." We can neither sit idly by, resting on the laurels of previous achievement, nor can we examine the issues on a purely academic basis. We must take stock of our situation regularly, and take action when necessary.

The details spelled out in this report demonstrate DOR's commitment to maintaining and improving integrity throughout the Department. This "year in review" also points to DOR's willingness to assess the agency's needs with a critical eye, and its ability -- even eagerness -- to act on those needs in a timely and creative fashion.